

STATE OF WASHINGTON



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. D 03-61
North Pacific Insurance Company,)	
)	Consent Order Imposing a Fine
An Authorized Insurer)	
)	
)	
)	

FINDINGS OF FACT:

1. North Pacific Insurance Company ("North Pacific") is authorized to write property and casualty insurance in Washington state. One Beacon Insurance Group owned North Pacific until its purchase by Liberty Northwest Insurance on January 1, 2002.
2. On February 20, 2001, the Office of the Insurance Commissioner ("OIC") received a commercial auto rate filing from North Pacific, requesting a 10% rate increase. OIC actuarial analyst James Antush disapproved this in a letter to the insurer dated March 15, 2001. June 7, 2001. That letter set a disapproval date (beyond which it would be illegal to use the requested rate increase) of June 15, 2001. On May 11, 2001 the OIC received a letter from North Pacific amending the original filing in response to the concerns expressed by Mr. Antush. The overall rate level impact of 10% did not change, however the lost cost multipliers and loss cost versions were updated. Mr. Antush disapproved this amended filing in a letter to the insurer dated June 7, 2001. That letter set a disapproval date (beyond which it would be illegal to use the requested rate increase) of September 7, 2001. Mr. Antush did not receive any response by that disapproval date, so he closed this filing by that disapproval date, so he closed this filing on September 14, 2001.
3. On October 2, 2001, the OIC received a second rate filing , identical to the amended filing from North Pacific. Again it was disapproved, this time by actuarial analyst Eric Slavich, in a letter dated October 22, 2001. That letter set a disapproval date of January 20, 2002. When Mr. Slavich received no response by that date, he sent an e-mail inquiry to the insurer on February 11, 2002, asking whether North Pacific had implemented the disapproved rates. Mr. Slavich closed out that filing on March 15, 2002. In fact, on February 25, 2001, North Pacific did implement the disapproved rates in its original February 20, 2001 filing. Under RCW 48.19.043, North Pacific could have legally used these rates until the initial disapproval date of June 15, 2001.

4. On July 11, 2002, the OIC received a third and identical rate filing to the amended rate filing from North Pacific. Mr. Slavich approved this filing, because he determined that North Pacific had for the first time made an adequate showing in support of it. Mr. Slavich set an effective date of June 11, 2002, thirty days prior to the date of receipt.

5. However, North Pacific implemented the rates under the initial (non-amended) filing of February 20, 2001 and issued a number of new commercial auto policies using the disapproved rates between June 15, 2001 (the disapproval date of the original filing) and January 20, 2002 (the disapproval date for the second filing reflecting the amended rates). In addition, North Pacific issued 695 new commercial auto policies using the disapproved rates between January 20, 2002 (the disapproval date for the second filing) and June 11, 2002 (the effective date assigned to the third filing by Mr. Slavich. North Pacific subsequently reverted back to the rates in effect prior to 2/1/02 effective 6/1/02. The approved rates in the July 11, 2002 filing were never implemented by North Pacific.

6. On July 3, 2002, North Pacific made a new filing with a proposed effective date of August 1, 2002. This filing was ultimately marked approved by the State of Washington dated September 30, 2002, but under RCW 48.19.043, North Pacific legally used the rates beginning August 1, 2002.

7. As of the disapproval date of January 20, 2002, there were 1353 policies in force with the disapproved rates. In accordance with RCW 48.19.043(4), those rates should have been changed so as to comply with the disapproval, but the insurer did not do this.

CONCLUSIONS OF LAW:

1. Issuing 695 new commercial auto policies using the disapproved rates between January 20, 2002 and June 11, 2002 was a violation of RCW 48.19.040(6). This provides that "Where a filing is required no insurer shall make or issue an insurance contract or policy, except in accordance with a filing then in effect."

2. Failing to issue an endorsement changing the rates so as to be in compliance with the rate disapproval was a violation of RCW 48.19.043(4).

CONSENT TO ORDER:

North Pacific Insurance Company stipulates to the foregoing Findings of Fact and Conclusions of Law and consents to this order, which imposes a fine of \$10,000 (Ten Thousand Dollars and no/100) in lieu of proceedings against the certificate of authority

held by the insurer in Washington state. This fine will be paid in full within thirty days of the entry of this order. Failure to pay the fine timely and in full will constitute grounds for revocation of the insurer's certificate of authority. It will also result in a civil lawsuit being brought on behalf of the Insurance Commissioner by the state Attorney General.

North Pacific Insurance Company acknowledges its duty to comply with all the insurance laws and regulations of Washington state.

Executed this 28th day of March, 2003, by:

NORTH PACIFIC INSURANCE COMPANY:

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By: _____

Printed Name: _____

Printed Corporate Title: _____

ORDER:

Pursuant to RCW 48.05.185, the Insurance Commissioner imposes a fine of \$10,000 (Ten Thousand Dollars and no/100) upon North Pacific Insurance Company, expressly in lieu of further proceedings against the certificate of authority held by North Pacific in Washington state. The fine is to be paid in full not later than thirty days after the entry of this order. Failure to pay the fine timely and in full will constitute grounds for suspension or revocation of that certificate of authority. It will also result in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT TUMWATER, WASHINGTON on this 9th day of April, 2003.

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MIKE KREIDLER
Insurance Commissioner

William Kirby
Legal Affairs Division